IN THE HIGH COURT OF JUDICATURE, ANDHRA PRADESH
AT HYDERABAD
(Special Original Jurisdiction)
WEDNESDAY, THE SIXTEENTH DAY OF JUNE
TWO THOUSAND AND FOUR
PRESENT
THE HON'BLE SRI DEVINDER GUPTA,THE CHIEF JUSTICE
and
THE HON'BLE MS JUSTICE G.ROHINI

WRIT PETITION NO : 8178 of 2003
And
W.P.M.P.No.10614 of 2003

Between:
1.M.Ram Reddy, s/o.M.Kanta Reddy,
aged about 52 years, Occupation:business

2.Smt.M.Suvarna, w/o.M.Kanta Reddy,
aged about 45 years,
Both r/o.H.No.40-264, Raghavendra Nagar, Moula Ali,
Hyderabad.

PETITIONERS

AND

1.The Union of India, rep. by its Secretary,
Ministry of Law, Shastri Bhavan,New Delhi.
2.Reserve Bank of India, rep. by its Deputy Governor,
Mumbai.
3.Reserve Bank of India, rep. by its Deputy General Manager,
Saifabad, Hyderabad.
4.Govt. of A.P., rep. by Commissioner for cooperation
& Registrar of Cooperative Societies, Gruhakalpa, Hyderabad.
5.M/s.The Prudential Cooperative Urban Bank Ltd.,
Rep. by its Assistant General Manager and authorized
Official,R.P.Road, Secunderabad.
6. M/s.The Prudential Cooperative Urban Bank Ltd. rep. by
its Administrator, R.P.Road,Secunderabad.

.....RESPONDENTS

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed herein the High Court may be pleased to issue an appropriate writ, order or direction, preferably , a Writ in the nature of Writ of Mandamus, declaring the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, especially, Sections 13, 15 and 34 of the said Act as being arbitrary, illegal, and violative of Art. 14 of the Constitution of India and consequently, set aside the notice in Ref.No.PCB/RP/AR/ESI/ 28(41)/02.03, dated 28-2-2003 issued by the 5th respondent; and be pleased to pass such further order/s as this Hon'ble Court may deem fit and proper in the circumstances of the case.

W.P.M.P.No.10614 of 2003

Between:
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aged about 52 years, Occupation:business

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.....RESPONDENTS

Petition under Section 151 C.P.C. praying that in the circumstances stated in the affidavit filed herein the High Court may be pleased to stay all further proceedings pursuant to the notice in Ref. No.PCB/RP/AR/ESI/ 28(41)/O2.03, dated 28.02.2003 pending disposal of the above writ petition.

Counsel for the Petitioners in both:MR.P.V.SANJEEVA RAO

Counsel for the Respondent Nos.2&3 in both: Mr. K.Srinivasa Murthy,

Counsel for the Respondent No.4in both in both: GP FOR AGRICULTURE

Counsel for the Respondent Nos.5&6 in both:Mr.Ashok Anand Kumar

The Court made the following ORALORDDER:
(Per Hon'ble The Chief Justice)

1. In view of the decision rendered by the Hon'ble Supreme Court in Transfer Case (Civil) No.92-95 of 2002, dated 8th April, 2004 [MARDIA CHEMICALS LTD v UNION OF INDIA & ORS] upholding the constitutional validity of the provisions of the Securitisation And Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, barring sub-section (2) of Section 17 of the Act, which was declared as ultra virus of Article 14 of the Constitution of India, this petition deserves to be decided in terms of the said decision. The Supreme Court in MARDIA CHEMICALS case has held that before taking action by the Bank under the provisions of the Act, a notice of 60 days is required to be given by the bank and after the measures under Section 13 (2) of the Act have been taken, mechanism has been provided under Section 17 of the Act to approach Debts Recovery Tribunal. Supreme Court has further held thus:

> "1. Under sub-section (2) of Section 13 it is incumbent upon the secured creditor to serve 60 days notice before proceedings to take any of the measures as provided under sub-section (4) of Section 13 of the Act. After service of notice, if the borrower raises any objection or places facts for consideration of the secured creditor, such reply to the notice must be considered with due application of mind and the reasons for not accepting the objections, howsoever brief they may be, must be communicated to the borrower. In connection with this conclusion we have already held a discussion in the earlier part of the judgment. The reasons so communicated shall only be for the purposes of the information/knowledge of the borrower without giving rise to any right to approach the Debt Recovery Tribunal under Section 17 of the Act, at that stage.
>
> 2. As already discussed earlier, on measures having been taken under sub-section (4) of Section 13 and before the date of sale/auction of the property it would be open for the borrower to file an appeal (petition) under Section 17 of the Act before the Debt Recovery Tribunal.
>
> 3. That the Tribunal in exercise of its ancillary powers shall have jurisdiction to pass any stay/interim order subject to the condition as it may deem fit and proper to impose.
>
> 4. In view of the discussion already held on this behalf, we find that the requirement of deposit of 75% of amount claimed before entertaining an appeal (petition) under Section 17 of the Act is an oppressive, onerous and arbitrary condition against all the canons of reasonableness. Such a condition is invalid and it is liable to be struck down.
>
> 5. As discussed earlier in this judgment, we find that it will be open to maintain a civil suit in civil court, within the narrow scope and on the limited grounds on which they are permissible, in the matters relating to an English mortgage enforceable without intervention of the court."

2. In view of the decision of the Supreme Court upholding constitutional validity of the offending provisions of the Act, we dismiss the writ petition thereby reserving liberty to the petitioner to work out his/its remedies as provided

under the Act including filing of appeal under Section 17 of the Act within the period of limitation prescribed therefor, to be counted from today.

3. In view of the dismissal of the writ petition, the interim directions stand vacated and the WPMP stands disposed of as such.

Dated: 16th June, 2004.
Pnb **sd/-**

ASSISTANT REGISTRAR

//**TRUE COPY**//

SECTION OFFICER

To
1.The Secretary,the Union of India,Ministry of Law,
Shastri Bhavan,New Delhi.
2.The Deputy Governor, Reserve Bank of India,Mumbai.
3.The Deputy General Manager,Reserve Bank of India, Saifabad,Hyderabad.
4.The Commissioner for Cooperation & Registrar of Cooperative Society,
Govt. of A.P., Gruhakalpa, Hyderabad.
5.Assistant General Manager & Authorised Official, M/s.The Prudential
Cooperative Urban Bank Ltd.,R.P.Road, Secunderabad.
6.The Administrator, M/s.The Prudential Cooperative Urban Bank Ltd.
R.P.Road,Secunderabad.
7.Two C.Cs. to the Government Pleader for Agriculture, High Court Buildings,Hyderabad. (O.U.T.)
8. Two C.D. copies.